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September 5, 1962 - Wednesday

Henry Hunt moved from the Mayfair Hotel today, to stay with me at the house. I took him to lunch at Bucks Club.

Jean Monnet and Max Konstaam came to see me this afternoon. Jean had come over from Paris to see Ted Heath, and is returning there tomorrow, intending to take a two-week holiday in Switzerland. He said Marianne's marriage in Rome went [redacted] off well.

He expressed at some length his worry over the monetary situation in the United States. If we inflate or run a large budgetary deficit, the Europeans are likely to regard this as a reason for further distrusting the stability of the dollar. Since it is unlikely we will be able to balance the budget or to hold a reasonable price level, more thought should be given to this problem than has yet been devoted to it. Jean has long advocated a concert between the European central banks and the treasuries of the UK, US, and Canada, to formulate a program to meet emergencies, and to back this program by the formation of reserve funds in which all would have a common interest. He considers the dollar problem at present almost a psychological one, since we could bring our foreign accounts into balance at any time by curtailing our military expenses and foreign aid. However, he thinks in six months or a year the present dangers may become more acute, in the absence of remedial action.

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Konstaam observed that trade within the Common Market countries was still going ahead, but as might be expected, at a less spectacular rate than in past years. Monnet considers that the apparent disunity of the West in regard to many international policies has become too obvious for comfort. He has no fixed ideas about how this situation might be bettered, except for thinking the entrance of the